

Message Text

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TAGS: EFIN, EPAP, CG

SUBJECT: PROSPECTS FOR EXHAUSTION OF WHEAT SUPPLY; RESULTANT
FLOUR SHORTAGE

1. SUMMARY: WHEAT NOW AVAILABLE OR ON ROUTE TO ZAIRE WILL BE EXHAUSTED BY END OF APRIL. CONTINENTAL GRAIN UNWILLING TO FURTHER INFLATE INTER-COMPANY ACCOUNT WITH ITS ZAIRIAN FLOUR MILL, MIDEMA. ABRAJANO OF MIDEMA SAYS ZAIRIAN ALLOCATION OF \$3 MILLION IN FX NECESSARY ON URGENT BASIS TO AVOID SERIOUS FLOUR SHORTAGE WHICH WOULD RESULT FROM MAY CLOSURE OF MIDEMA MILL IF NEW WHEAT SUPPLIES NOT ASSURED. END SUMMARY.

2. ABRAJANO INFORMS US THAT CONTINENTAL GRAIN HOME OFFICE HAS ONCE AGAIN DECIDED LIMIT HAS BEEN REACHED ON INTER-COMPANY ACCOUNT WITH MIDEMA MILL HERE. LAST SHIP-LOAD OF WHEAT HEADED FOR ZAIRE SHOULD ARRIVE MARCH 15. BY REDUCING PRODUCTION FROM 180,000 BAGS/DAY TO 125,000 BAGS/DAY FOR REMAINDER OF MARCH AND BY FURTHER CUTTING BACK TO 105,000 BAG/DAY IN APRIL, MILL WILL BE ABLE TO STAY IN OPERATION UNTIL END OF APRIL. IF A SHIP IS NOT LOADED AND ON ITS WAY TO ZAIRE BY MARCH 31, ABRAJANO SAYS THERE WILL BE NO WAY TO AVOID MAY 1 CLOSURE OF MILL.

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3. BACKING UP FROM MARCH 31, ABRAJANO INDICATES THAT IT

NORMALLY TAKES AT LEAST TWO WEEKS AND SOMETIMES THREE TO GET A SHIP AND A LOAD OF WHEAT TOGETHER AND ACCOMPLISH A LOADING, FOLLOWED BY FOUR WEEKS TO GET TO MADADI. THAT LEAVES, UNDER THE BEST OF CIRCUMSTANCES, ONE WEEK FOR ZAIRE TO COME UP WITH \$3 MILLION AND ACTUALLY GET THEM INTO CONTINENTAL GRAIN'S HANDS. \$3 MILLION REFLECTS ORAL, BUT AS YET UNCONFIRMED IN WRITING, AGREEMENT RECENTLY REACHED BY STEYERMARK OF CONTINENTAL AND GOVERNOR SAMBWA OF CENTRAL BANK ON HOW TO BREAK FINANCING IMPASS FOR FURTHER WHEAT SHIPMENTS.

4. ABRAJANO POINTS OUT THAT REDUCED PRODUCTION LEVELS AT MILL WILL LEAD TO REAL BUT NOT RPT NOT SEVERE SHORTAGES OF FLOUR DURING APRIL. SHORT TERM DANGER LIES IN EXISTENCE OF THOSE SHORTAGES IF MIDEMA UNABLE TO ASSURE ITS CUSTOMERS THAT THINGS WILL BE BACK TO NORMAL IN EARLY MAY. LACKING ASSURANCES, SPECULATORS WILL MOVE QUICKLY TO SET UP BLACK MARKET IN FLOUR AND PRICES CAN BE EXPECTED TO RISE ABOUT 50 PER CENT BY MID-APRIL. ON OTHER HAND, IF IN FACT NO RELIEF IN SIGHT FOR EARLY MAY, FLOUR SHORTAGE COULD BE EXPECTED TO WORSEN RAPIDLY.

5. COMMENT: WE WELL AWARE THAT SERIOUS FLOUR SHORTAGE COULD ENTAIL WORRISOME POLITICAL AS WELL AS ECONOMIC REPERCUSSIONS, AND WE ANXIOUS TO ASSIST IN MITIGATING OR AVOIDING SUCH EFFECTS. TIME NECESSARY TO ARRANGE AND EXECUTE TRANSPORTATION IS CRITICAL FACTOR. AS POINT OF COMPARISON, AGRICULTURAL ATTACHE FEELS THAT IF FINISHING TOUCHES ON CCC PROGRAM ACCOMPLISHED FORTHWITH, FIRST WHEAT SHIPMENTS COULD ARRIVE IN ZAIRE WITHIN FOUR WEEKS OF FORMAL PROGRAM ANNOUNCEMENT. THIS IS WELL IN ADVANCE OF TIME FRAME SPELLED OUT BY ABRAJANO (PARA 3 ABOVE). AGATT HAS CASE HISTORIES TO SHOW THAT, WHILE FOUR WEEKS IS FAIR AVERAGE OF TRANSIT TIME, THREE WEEKS HAS OFTEN BEEN ACHIEVED. HE POINTS OUT ALSO THAT, WHILE TWO OR THREE WEEKS TO SET UP AND ACCOMPLISH LOADING IS A COMFORTABLE TIME FRAME, HIS EXPERIENCE HAS BEEN THAT IT CAN BE DONE IN ONE WEEK WHEN NECESSARY, EITHER IN NEW YORK OR ROTTERDAM. WE SUSPECT ABRAJANO'S PRESENTATION OF SITUATION CONTAINS ELEMENT OF EXAGGERATION ON LIMITED OFFICIAL USE

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URGENCY OF PROBLEM. WE KNOW IT IGNORES SUCH TIME-SAVING ALTERNATIVES AS REDIRECTING A SMALLER OR PARTIALLY LOADED VESSEL ON THE US-EUROPE RUN OR HIRING A SHIP OF APPROPRIATE SIZE FOR THE PURPOSE IN EITHER NEW YORK OR ROTTERDAM. NEVERTHELESS, WE PLAN TO FOLLOW UP AT APPROPRIATE LEVEL OF GOZ IF NO MOVEMENT TOWARD SOLUTION NOTED IN IMMEDIATE FUTURE. END COMMENT.
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